



BILL SCHUETTE
ATTORNEY GENERAL
STATE OF MICHIGAN

May 1, 2012

The Honorable Rick Snyder
Executive Office of the Governor
George W. Romney Building
P.O. Box 30013
Lansing, MI 48909

Re: National Mortgage Settlement - \$97.2 Million State Allocation

Dear Governor Snyder:

Thank you for meeting with me to discuss the best uses for the \$97.2 million the State of Michigan will receive as part of the National Mortgage Settlement my office reached with the nation's five largest banks. The Consent Judgment entered in that matter between the five banks and 49 State Attorneys General in the Federal District Court for the District of Columbia contains the following language regarding how that \$97.2 million may be used:

To the extent practicable, such funds shall be used for purposes intended to avoid preventable foreclosures, to ameliorate the effects of the foreclosure crisis, to enhance law enforcement efforts to prevent and prosecute financial fraud, or unfair or deceptive acts or practices and to compensate States for costs resulting from the alleged unlawful conduct of the Defendants. Such permissible purposes for allocation of the funds include, but are not limited to, supplementing the amounts paid to state homeowners under the Borrower Payment Fund, funding for housing counselors, state and local foreclosure assistance hotlines, state and local foreclosure mediation programs, legal assistance, housing remediation and anti-blight projects, funding for training and staffing of financial fraud or consumer protection enforcement efforts, and civil penalties.

[Consent Judgment, Exhibit B]

It is important to note that these sums, for the most part, must be distributed evenly over a four year period. These funds do not lapse to the General Fund. One exception is the restitution for victims of foreclosure rescue scams. Distribution of these restitution funds will depend on the number of convictions and the number of eligible victims, and distribution of restitution to eligible consumers will last as long as funds dedicated to that purpose remain available.

While we didn't dot every "i" and did not cross every "t" and we avoided agonizing detail, it is my hope and understanding that we agreed, subject to the appropriation process, that the \$97.2 million should be allocated as follows:

1. Foreclosure Counseling and Legal Aid for Homeowners (\$20 million)

My office will work closely with the Michigan State Housing Development Authority, which already has existing programs in place, to efficiently disburse these funds.

2. Foreclosure Rescue Scam Victim Restitution Fund (\$10 million)

People fall prey to scam artists who promise that they can prevent foreclosure. This restitution fund will let us provide some relief to people who have been scammed. My office will develop procedures for verification and distribution of these restitution funds.

3. Assistance for School Children Displaced by Foreclosure (\$25 million)

This money will be used to help homeless school children so that they can stay in school and succeed. My office will work with the Michigan Department of Education to supplement funding of its existing programs that assist homeless school children, and we will also create a separate grant process that will augment other existing programs that have a proven track record in addressing this problem.

4. Assistance for Service Members (\$5 million)

Service members are a particular population that is often affected by foreclosure and by scam artists. In conjunction with the Department of Military and Veterans Affairs, programs intended to provide assistance to service members will be identified and augmented.

5. Michigan AG Home Protection Unit (\$6 million)

My office currently prosecutes mortgage foreclosure rescue scams, but more prosecution is needed for deterrence and to provide restitution where possible. Consumer assistance can also be provided by our staff when needed. Currently, my office has 66 investigations pending, with almost 1,000 victims in this group and nearly \$2 million in restitution. The number of victims for each modification scam we have found has ranged from 10 - 420 people, and we have prosecuted cases all over the state resulting in orders for restitution for \$5,000 to \$1.2 million. This money will fund additional investigation and prosecution by my office to address this continuing problem.

6. Michigan Housing and Community Development Fund (\$9.7 million)

Grants from the existing Housing and Community Development Fund, which is administered by the Michigan State Housing Development Authority, will address property rehabilitation and improvements in Michigan's housing stock.

7. Education Achievement Authority & Blight Remediation (\$21.5 million)

A. Education Achievement Authority

Those areas with particularly high foreclosure rates are strongly correlated to the areas with schools that are in the bottom 5% of performers in Michigan. The Education Achievement System (EAS) will assume operation of the lowest 5% of performing schools in the state. Improvement in these failing schools should revitalize those areas that have been particularly hard hit by foreclosures, as good schools are one foundation to thriving neighborhoods and communities.

B. Blight Remediation

Vacant, abandoned land discourages property ownership, depresses property values, and creates health hazards. Effective re-tooling of vacant land use is key to economic development and improved property values.

It is great to again work together to assure that the \$97.2 million is spent in a way to best fight and alleviate the horrendous foreclosure problem for the citizens of the State of Michigan.

Sincerely,

Bill Schuette
Attorney General

WDS/ss

cc: Dennis Muchmore
William Rustem